

No. 11854

IN THE

United States Circuit Court of Appeals

FOR THE NINTH CIRCUIT

RALPH E. JONES,

Cross-Appellant,

vs.

SCHICK SERVICE, INC., a corporation, and SCHICK, INC.,
a corporation,

Cross-Appellees.

BRIEF OF CROSS-APPELLEES.

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FILED

AUG 5 1940

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TOPICAL INDEX

PAGE

I.

Statement of the case.....	2
----------------------------	---

II.

Summary of argument.....	14
--------------------------	----

III.

The argument	16
--------------------	----

Point 1. Plaintiff's cross-appeal, in so far as it affects the second cause of action, should be dismissed.....	16
-----------------------------------------------------------------------------------------------------------------	----

Point 2. The District Court's Finding [Finding 23, R. 55, 56] that the oral agreement alleged in the complaint was entered into between plaintiff and defendant Schick, Inc., on January 29, 1941, that at the time of the making of said oral contract all of the terms thereof were agreed to unconditionally by both parties thereto, and that said oral contract was not conditioned upon the making of any subsequent agreement by the parties as to any further terms, and was not conditioned upon being subsequently reduced to writing, is erroneous and is not supported by the evidence....	21
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----

Point 3. The District Court properly concluded in its conclusions of law that the alleged oral license agreement was barred by the Statute of Frauds.....	29
-----------------------------------------------------------------------------------------------------------------------------------------------------------	----

(a) The trial court correctly concluded [Conclusion 6, R. 60] that the alleged oral contract was not fully or otherwise performed by plaintiff so as to take the same out of the operation of the Statute of Frauds of California	29
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----

(b) The findings of the trial court [Finding 24, R. 58] that in submitting copies of plaintiff's two patent applications to defendant Schick, Inc., plaintiff relied upon the alleged oral contract, that plaintiff would not have sent copies of said patent applications to said defendant had he not relied upon said oral contract, that by sending copies of such pending patent applications to said defendant plaintiff changed his position to his detriment and could not be put back into his original position after such disclosure, that from January 29, 1941, until at least March 14, 1941, relying upon the acts and statements of said defendant, plaintiff believed that he had a binding and enforceable agreement with said defendant, and in reliance thereon plaintiff throughout such period refrained from negotiating with any other person or company with respect to the patent in suit, and thereby suffered further detriment, are, and each of them is, erroneous and not supported by the evidence	37
(c) The trial court properly found and concluded [Finding 24, R. 58, Conclusion 6, R. 60] that the submission by plaintiff of his two patent applications to defendant Schick, Inc., was not an act referable to the oral contract sued upon, and therefore did not estop defendant from asserting the Statute of Frauds.....	40
Point 4. Defendant Schick, Inc., having on March 13, 1941, renounced and abandoned the alleged exclusive license granted by the asserted oral agreement on the ground that plaintiff's patent was invalid, and said defendant having never manufactured nor sold any dry shavers pursuant to said alleged oral agreement embodying the invention covered by said patent, said defendant urges, and is not estopped to urge, the invalidity of said patent as a complete defense to the second cause of action.....	41

Point 5. The claim asserted in the second cause of action is barred by Section 339(1) of the Code of Civil Procedure of the State of California.....	44
Point 6. The District Court properly concluded [Conclusion 3, R. 59] that Claims 1, 11, 26, 27, 28, 29 and 30 of Pat- ent No. 2,228,768 were indefinite within the meaning of 35 U. S. C. A., Section 33 (R. S., Sec. 4888).....	46
Conclusion	51
Appendix :	
Certified copy of Disclaimer.....	App. p. 1

iv.

TABLE OF AUTHORITIES CITED

CASES	PAGE
Aftergut v. Mulvihill, 25 Cal. App. 784, 786, 145 Pac. 728.....	22
American Bentonite Corp. v. Clark Equipment Co., 43 F. 2d 392 (D. C., W. D. Mich.) ; aff'd 43 F. 2d 1023 (C. C. A. 6)	22, 27
Atlman v. Shopping Center Bldg Co., 82 F. 2d 521, 526, 527 (C. C. A. 8).....	17
Baker v. Bouchard, 122 Cal. App. 708, 10 P. (2d) 468.....	41
Buhl v. Stephens, 84 F. 922, 925 (C. C., Dist. Ind.).....	33
Callison v. Pickens, et al., 77 F. 2d 62 (C. C. A. 10).....	50
Carpy v. Dowdell, 115 Cal. 677, 686, 47 Pac. 695.....	38
Connor v. Plank, 25 Cal. App. 516, 518, 519, 144 Pac. 295.....	22
Davis v. Cline, 184 Cal. 548, 552, 195 Pac. 42.....	38
Dillingham v. Dahlgren, 52 Cal. App. 322, 329, 198 Pac. 832....	22, 26
Dutton v. Interstate Investment Corp., 19 Cal. (2d) 65, 119 P. (2d) 138	35
Emerson v. Universal Products Company, Inc., 162 Atl. 779.....	31, 32, 34, 36
Enlow v. Irwin, 80 Cal. App. 98, 101, 251 Pac. 658.....	22
Farmers Cooperative Exchange v. Turnbow, 111 F. 2d 728....	48, 49
Fly v. Cline, 49 Cal. App. 414, 425, 426, 193 Pac. 615.....	22
Forbes v. City of Los Angeles, 101 Cal. App. 781, 789, 282 Pac. 528	41
Foster v. Maginnes, 89 Cal. 264, 267, 26 Pac. 828.....	41
Frost Railway Supply Co. v. Synnington & Son, 24 F. Supp. 20..	42
General Electric Co. v. Wabash Appliance Corp., 304 U. S. 364, 368, 58 S. Ct. 899, 901, 82 L. Ed. 1402.....	49
Golden West Brewing Co. v. Milonas, 104 F. 2d 880.....	20
Hellings v. Wright, 29 Cal. App. 649, 156 Pac. 365.....	35

Kurtz v. Ford Motor Co., 62 F. Supp. 255 (D. C., E. D. Mich., S. D., 1945).....	33
Levi v. Murrell, 63 F. 2d 670.....	41
Levin v. Saroff, 54 Cal. App. 285, 201 Pac. 961.....	22
Linnard v. Sonnenschein, 94 Cal. App. 729, 733, 734, 272 Pac. 315	22
Martin v. New Trinidad etc. Co., 255 F. 93.....	42
Maulsby v. Conzeboy, 161 F. 2d 165 (C. C. A. 9).....	51
McBrine Co. v. Silverman, 121 F. 2d 181.....	9
Mercantile Trust Co. v. Sunset etc. Co., 176 Cal. 461, 469, 168 Pac. 1037	22
Otis Elevator Co. v. Pacific Finance Corp., 71 F. 2d 641, 642 (C. C. A. 9).....	49
Pacific Rolling Mill Co. v. Railway Co., 90 Cal. 627, 632, et seq., 27 Pac. 525.....	22
Patten v. Hicks, 43 Cal. 509.....	34
Price v. Smith Manufacturing Company, 53 Cal. App. 303, 200 Pac. 53.....	36
Ralph N. Brodie Co. v. Hydraulic Press Mfg. Co., 151 F. 2d 91 (C. C. A. 9).....	51
Refrigeration Engineering, Inc. v. York Corp., decided June 29, 1948	51
Seymour v. Oelrichs, 156 Cal. 782, 793, 795,, 106 Pac. 88.....	29, 39
Shaffer v. Great American Indemnity Co., 147 F. 2d 981, 983 (C. C. A. 5)	17
Spinney v. Downing, 108 Cal. 666, 41 Pac. 797.....	22, 23
Standing v. Morosco, 43 Cal. App. 244, 247, 248, 184 Pac. 954..	39
Stevenson v. Pantaleone, 131 Cal. App. 401, 406, 21 P. (2d) 703	41
Stowe v. Fay Fruit Co., 90 Cal. App. 421, 426, 265 Pac. 1042....	38
The Armstrong Co. v. Shell Company of Calif., 98 Cal. App. 769, 778 et seq., 277 Pac. 887.....	42

	PAGE
Toms v. Hellman, 115 Cal. App. 74, 1 P. (2d) 31.....	22
Trout v. Ogilvie, 41 Cal. App. 167, 172, 182 Pac. 333.....	41
United Engineering & Foundry Co. v. Cold Metal Process Co., 68 F. 2d 564.....	18
Universal Rim Co. v. Scott, 21 F. 2d 346.....	42
Venn-Severin Machine Co. v. Kiss Sons, etc., Inc., 2 F. R. D. 4, 5 (D. C. N. J.).....	19
Wehner v. Bauer, 160 F. 240.....	35
Zellerbach Paper Co. v. Virden Packing Co., 10 Cal. App. (2d) 635, 646, 53 P. (2d) 163.....	22

STATUTES

Code of Civil Procedure, Sec. 339.....	44
Code of Civil Procedure, Sec. 339(1).....	9, 15
Federal Rules of Civil Procedure, Rule 8(e).....	16
Federal Rules of Civil Procedure, Rule 8(e) (2)	17, 19
Federal Rules of Civil Procedure, Rule 52(a) (28 U. S. C. A. following Sec. 723c).....	51
Rules of the United States Circuit Court of Appeals, Rule 20, Subd. 3.....	1
United States Code Annotated, Title 35, Sec. 33 (R. S., Sec. 4888)	15, 48, 49

TEXTBOOKS

54 Corpus Juris Secundum, Sec. 127, p. 44.....	45
Restatement of the Law of Contracts, Vol. II, Sec. 384, p. 719..	20
6 Williston on Contracts, Rev. Ed., Sec. 2027, p. 5688.....	45

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BRIEF OF CROSS-APPELLEES.

This brief is directed to the cross-appeal taken in this case by plaintiff and is intended to present defendants' reply to the "Opening Brief of Cross-Appellant" filed by plaintiff on such cross-appeal. In our "Opening Brief for Defendants-Appellants", we have already discussed the issues of validity of the patent in suit and infringement of the claims of the patent sustained by the court below on plaintiff's first cause of action. On his cross-appeal plaintiff alleges error in the court below in holding claims 1, 11, 26, 27, 28, 29 and 30 of the patent in suit invalid on his first cause of action and in dismissing plaintiff's second cause of action based on the oral contract allegedly made between plaintiff and defendant Schick, Inc., on January 29, 1941. In accordance with subdivision 3 of Rule 20 of this court, we are obliged to

restate the case in so far as the points raised by plaintiff on his cross-appeal are concerned since plaintiff's statement of the case is totally inadequate and insufficient to apprise the court of the pertinent evidence. In our re-statement of the case, we shall first present the facts in evidence on plaintiff's second (contract) cause of action and then such additional facts on plaintiff's first (patent) cause of action as are germane to the issue with respect to the claims of the patent in suit held invalid by the court below.

I.

Statement of the Case.

Second Cause of Action:

Plaintiff's statement of facts relative to the second cause of action is correct in so far as it goes; but, ignoring the issue raised by the denial in the answer* that the contract alleged in the second cause of action was entered into [par. IV, R. 16, 17], which the lower court decided in favor of plaintiff [Finding 23, R. 23, 24], plaintiff omits any statement of the bulk of the evidence bearing on that issue. Inasmuch as defendant Schick, Inc. contends that the evidence is insufficient to support this finding of the lower court, we shall summarize this evidence.

The evidence bearing on the issue of contract *vel non* consists of the testimony of plaintiff, of plaintiff's witness Merrick, the then general counsel for defendant Schick, Inc., and correspondence between plaintiff and representa-

*Whenever the term "answer" is used herein it is to be understood as referring to the answer of defendants to combined original and supplemental complaints for infringement of letters patent No. 2,228,768 [R. 12 *et seq.*].

tives of said defendant. It is alleged in the complaint,* and found by the court, that the oral contract sued upon was entered into on January 29, 1941 [par. IV of complaint, R. 10, 11, and Finding 23, R. 55, 56]. It will be observed that the District Court found that all of the terms of the oral contract alleged in the complaint were "agreed to unconditionally by both parties thereto," that the "oral contract was not conditioned upon the making of any subsequent agreement by the parties as to any further terms," and that said oral contract was not "conditioned upon being subsequently reduced to writing, or otherwise." Such finding is based upon the conception that the minds of the parties met at the conversation of January 29, 1941, between plaintiff, Merrick and Cordiner, the then president of defendant Schick, Inc.

The record shows that at this conversation, after discussing the amount of royalties to be paid, plaintiff said the best offer he would make was $1\frac{1}{2}\%$ of the manufacturer's sales price until royalties should total \$250,000, and 1% thereafter to the end of the life of the patent, with a down payment of advance royalties of \$30,000. To this Cordiner replied "It's a deal." Cordiner and plaintiff shook hands and plaintiff said "It's a deal. That is fine." [R. 130, 131.] The conversation continued without interruption; there was no hiatus. Cordiner sought and received assurance from plaintiff that he would not attempt to negotiate a sale of the patent to anyone else. Plaintiff then asked Cordiner how they were going to go about putting the "agreement" in writing, to which

*Whenever the term "complaint" is used herein it is to be understood as referring to the combined original and supplemental complaints for infringement of letters patent No. 2,228,768 [R. 8 *et seq.*].

Cordiner replied, in effect, that the Schick Company would draw the agreement, and told plaintiff to send them such points as he would like to have included in the agreement, and if possible the Schick Company would include them [R. 131].

On cross-examination [R. 233-241], plaintiff testified that he did not propose to negotiate with anyone else unless defendant Schick, Inc. refused to "put the agreement in writing and refused to comply with its terms"; that at the conversation of January 29, 1941, he, Cordiner and Merrick discussed the question of who should take the responsibility for defending the patent from suits by third persons, that they were going to reach an agreement on that point; that it was left to Schick Company's option whether said defendant or plaintiff should prosecute the two pending patent applications of plaintiff; that in response to Merrick's suggestion that plaintiff employ an attorney to advise him regarding the different things that would have to be covered in the proposed agreement, plaintiff replied that he thought that he could "negotiate the main matters" that afternoon and that he could have an attorney's advice later on "as to whether everything was all right."

Plaintiff further testified on his cross-examination that Cordiner and Merrick called his attention to the "captions that would necessarily be included in the patent agreement" [R. 237-9]; that there were provisions that "they" wanted to put in the agreement, but that he "had no intention of passing up the agreement and refusing to sign it when they submitted an agreement, unless there was something that would markedly interfere with (his) normal rights in the matter" [R. 240]; that plaintiff thought they "had a sort of preliminary discussion, because I expected

them to work out the contract that they thought should be signed, and then, unless there was something horribly wrong with it, I expected to sign it" [R. 245]; plaintiff thought that they "would have no particular difficulty in reaching an agreement on the secondary issues, if you want to call them that" [R. 245-6]; that he was willing to concede any reasonable secondary provisions when the Schick Company presented the contract; that "they mentioned that I should take the responsibility of defending suits, and I did not agree"; that they did not settle the point regarding the extent to which plaintiff would go in defraying the cost of suing others in the event there was an infringement of his patent [R. 246]; that he "expected to get the contract from them for (his) signature, or (his) protest, but that if something seemed radically wrong with it (he) expected them to change it, whatever it might be, when they sent (him) the contract" [R. 247]; and that "they were to prepare the contract, and send it to me, and then if I objected I was to try to persuade them as to what changes I thought ought to be made in it" [R. 248].

In response to a question by the Court, plaintiff testified [R. 251] "I thought this: That in view of the correspondence that followed the oral agreement, I thought there might be enough confirmation of the oral agreement there to make the agreement binding."

It will serve no useful purpose to summarize the witness Merrick's testimony, because his version of the conversation of January 29, 1941, is substantially the same as plaintiff's.

Certain excerpts from the correspondence between the parties following their conversation are of significance. Plaintiff's letter to the Schick Company, dated January

30, 1941, and the "preliminary draft" of license agreement enclosed therewith [Pltf. Ex. No. 9, R. 434 *et seq.*] is significant. This letter, written the day after the oral conversation, states in part that plaintiff agreed to the royalties alleged at the "oral agreement" of the day before, "cost of court fights desired by you to be yours. I agreed to this, subject to detailed protective provisions in the contract satisfactory to me. I have accordingly drafted a contract that is satisfactory to me * * *." The "preliminary draft" enclosed with this letter contained additional provisions of substance beneficial to plaintiff, which had not been agreed to at the oral conversation the day before, outstanding among which was an annual minimum royalty requirement of \$5,000 (par. 11), and the requirement that defendant Schick, Inc. should bear the cost of both offensive and defensive litigation affecting plaintiff's patents (par. 15). Plaintiff's Exhibit No. 10 [R. 442] was a letter from Merrick to plaintiff, dated February 5, 1941, and concerns itself primarily with doubts about the meaning of Paragraph 7 of plaintiff's "preliminary draft," but it also states "there are several paragraphs that in our opinion will require some clarification * * *."

Plaintiff wrote defendant Schick, Inc. under date of February 10, 1941 [Pltf. Ex. No. 11; R. 444], in which he made the following statement:

"I hope that you and Mr. Cordiner will believe that my efforts to plug every loophole, however small or improbable, does not indicate any opinion on my part that your organization or its officers are the sort that make any such provisions necessary. I really do believe that any sort of simple agreement would be complied with conscientiously by your organization.

And yet, on the other hand, it seems to me a sensible and proper policy to try to make the contract an iron-clad affair that will protect to the maximum degree the rights intended for me."

Plaintiff's Exhibit No. 12 [R. 445] was a letter from Merrick to plaintiff, dated February 17, 1941, requesting that plaintiff send the Schick Company copies of plaintiff's pending patent applications, stating that "we" would like to examine the applications in connection with the preparation of a memorandum to be submitted to the board of directors. Defendant's Exhibit R [R. 565] was a telegram from plaintiff to the Schick Company, dated March 9, 1941, requesting advice as to when plaintiff would receive the company's "version of contract." On March 13, 1941, Merrick wrote plaintiff [Pltf. Ex. No. 14, R. 447], informing him that the Schick Company was not interested in obtaining a license from him, and on the same date the Schick Company's patent counsel wrote plaintiff that in view of the prior art counsel had advised defendant Schick, Inc. that plaintiff did not as to past shavers, and would not as to future shavers, have a valid claim against said defendant for infringement of the patent in suit [Deft. Ex. C, R. 449].

Defendant's Exhibit D [R. 450 *et seq.*] was a letter from plaintiff to the Schick Company, dated March 14, 1941, which crossed in the mails Plaintiff's Exhibit No. 14 and Defendant's Exhibit ~~D~~^C. This is the last letter written from plaintiff to the Schick company, and is quite significant. It relates the history of plaintiff's negotiations with Messrs. Cordiner and Merrick, and states:

"Mr. Cordiner and I reached an oral agreement as to all essential factors in a licensing contract, supposedly to be drawn up and signed with a minimum

of delay. I was to notify the Schick Co. promptly of the minor points and phraseology that I desired in the contract. The Schick Co. was then to write a contract and submit it to me * * * I sent by air mail a contract draft embodying all provisions desired by me."

It also contains the following statement:

"This neglect (or whatever it is) on your part is forcing me to move now definitely in the direction of negotiations with someone else in accordance with my alternative plan.

However, I will save for you the opportunity for exclusive licensing rights until April 4th. I cannot guarantee that the opportunity will remain open past that date unless, in the meantime, events shall have made me confident that we are about to sign a contract.

I cannot believe that any useful purpose is being served by this secretive procrastination. Let's get the cards on the table and have a decision, one way or another."

No demand or other communication was made by plaintiff that he considered the oral license agreement sued upon to be in existence until December 10, 1945, almost five years later, on which date plaintiff, through his attorneys [R. 20 *et seq.*], made claim that the contract sued upon existed!

The District Court's decision in favor of defendant Schick, Inc. on the second cause of action was based on the sole ground argued in the Opening Brief of Cross-Appellant. While we urge that this ruling is correct, there are other grounds for upholding the lower court's decision; and it being well settled, as held by this court

in *McBrine Co. v. Silverman*, 121 F. 2d 181, that an appellate court may affirm on a ground not assigned by the trial court, we shall not limit ourselves to defending the ruling of the court below, but will also argue the additional defenses which we presented in the trial court.

Thus, we shall contend that the evidence is insufficient to support the finding of the trial court that any license agreement, oral or otherwise, was entered into between plaintiff and defendant Schick, Inc.; that the alleged oral contract, even if it did come into existence, was barred by the Statute of Frauds not only because, as held by the court below, the acts claimed by plaintiff to create an estoppel were not acts referable to the contract in suit, but that there is no evidence to sustain the lower court's finding [Finding 24, R. 57, 58] that such acts of plaintiff caused him any detriment whatsoever or caused him to change his position; that plaintiff's patent is invalid, which defense is available to said defendant in respect of the second cause of action, because said defendant renounced the alleged license agreement and the protection granted thereby on March 14, 1941, thereby placing itself unequivocally in the position of an infringer, if the validity of such patent should be sustained; and, finally, that in any event the alleged oral agreement is barred by the Statute of Limitations, and that California Code of Civil Procedure, Section 339 (1) is a bar to any recovery under the alleged agreement.

First Cause of Action:

In the "Opening Brief for Defendants-Appellants" is a "Statement of the Case," which is here incorporated by reference. In the Statement of the Case are the following pertinent subtitles: The Issues, The Patent in Suit, The

Accused Devices, Rounding, and Hinging. All of the facts set forth under these titles apply to plaintiff's cross-appeal. Our arguments as to the invalidity of claims 22, 23, 31 and 32 for lack of invention apply equally well to claims 1, 11, 26, 27, 28, 29 and 30.

The District Court held claims 1, 11, 26, 27, 28, 29 and 30 invalid [Finding 20, R. 55; Conclusion of Law 3, R. 59; Interlocutory Judgment, R. 62]. Plaintiff-cross-appellant's appeal is directed to this holding. This judgment of the District Court is entirely correct and should not be reversed. The findings of fact and conclusions of law supporting the judgment are fully supported by the evidence [Finding 20, Conclusion of Law 3].

The District Court not only held claims 1, 11, 26, 27, 28, 29 and 30 invalid, but also claims 17, 18, 19, 20, 24 and 25 [Finding 20, R. 55]. On February 21, 1948 a disclaimer was entered in the Patent Office by the plaintiff (608 O. G. 831) stating that "he has claimed more than that of which he was the original or first inventor or discoverer, and he hereby makes disclaimer of said claims 17, 18, 19, 20, 24 and 25 thereof." (See Appendix to this brief.)* Plaintiff has appealed and asks this court to review the holding of the District Court only as to some of the claims held invalid by the District Court, that is, claims 1, 11, 26, 27, 28, 29 and 30; but he has admitted that he is not the inventor of the subject matter of claims 17, 18, 19, 20, 24 and 25. A comparison of typical claims from these two sets of claims—those appealed from and those disclaimed—(claims 1 and 17 for example) fails to disclose any material differences. Both of these claims describe

*A duly certified copy of this disclaimer will be presented to the Court at the oral argument.

a shaver having a transversely slitted channeled head with its edges rounding into the head and elements at the ends rounding into the head. Plaintiff admits that he is not the inventor of that device described in claim 17 (see disclaimer), but he wishes this court to determine that he is the inventor of that described in claim 1. The District Court in Finding of Fact 20 [R. 55] held the claims invalid for indefiniteness but in his oral opinion he also held that they do not embody invention [R. 412].

The device described by claims 1, 11, 26, 27, 28, 29 and 30 is completely anticipated by the prior art patents, such as the patent to Peterson [Deft. Ex. L-4, R. 470]. The patent in suit describes that all of the surfaces of the shaving head should be rounded off to provide shaving comfort and that guard members shall be added at the squared ends of the head to provide shaving comfort. Peterson [Deft. Ex. L-4] describes a guard which is used on the ordinary Gillette safety razor, such razor having squared ends like the ends complained of in the patent in suit [col. 1, lines 13-23; R. 425]. The patent in suit teaches that a rounded device placed at the end of the channeled head of the razor would give a smoother, more satisfactory shave [R. 377]. That is exactly the teaching of the Peterson patent. The prior patent to Ventimiglia [Deft. Ex. L-5, R. 474] describes a dry shaver whereby all the sharp edges or corners are rounded off to prevent scratching and cutting. The patent to Friedman [Deft. Ex. L-6, R. 478] shows an electric shaver having a rounded gauge plate 1 which comes in contact with the skin to make the device slide over the skin more readily [R. 377]. The patent to Dean [Deft. Ex. L-8, R. 490] shows an attachment adapted to be put on a conventional hair clipper which forms rounded beads 18 at the corners

of the shaving head to prevent cutting or scratching [R. 378].

Claims 1, 11, 26, 27, 28, 29 and 30 describe no mechanical part not present in the Schick shavers manufactured prior to the alleged invention of Jones.

Exhibit B, which was acknowledged to be an earlier model than any invention of the plaintiff [R. 192], has all of the mechanical features described in claim 1 of the patent in suit. Claim 1 calls for "an outer transversely slitted channeled head and a cutter reciprocating within the channel of the head." Obviously Exhibit B contains these two elements. The claim further calls for "the head at its longitudinal outer edges being transversely rounded, the transversely rounded surfaces merging into the outer surface of the head." Obviously the channeled head of Exhibit B has all of its edges transversely rounded and that rounding merging into the surface of the head. Plaintiff acknowledged that the heads in this shaver "are somewhat beveled and somewhat rounded" [R. 193]. The last element of claim 1 is: "and elements disposed at the ends of the channeled head, each having a longitudinally rounded surface at its extremity merging into the outer surface of the head at the ends thereof." This last element is not new with the plaintiff. The Peterson patent [Deft. Ex. L-4, R. 470] describes a body portion 1 and shields 4. The shields 4 are curved and rounded into the channeled portion 1 to make a smooth uninterrupted curve so that the edges or corners of the razor blade 11 cannot cut or scratch [R. 376-7]. Similarly the patent to Aaron [Deft. Ex. L-11, R. 511] describes a dry shaver which has a shaving head indicated and called a "cylindrical housing 105." At the ends of this head (see Fig. 4 at the upper left-hand corner) are rounded projections. One of these

is disclosed in the drawing at each end of the cutting head. The purpose of these projections is two-fold: (1) to act as a reinforcing bar as found by the court [Finding 16, R. 52], and (2) to permit rounding of the end of the head. These reinforcing bars were used on substantially all Schick shavers [Exs. 2, 3, 4, 5, B, F, H and I; R. 314-317]. The purpose of these reinforcing bars or elements is explained in the testimony of Gray:

“In addition to guarding against damage, the reinforcing element is made thicker so that operations dealing with the rounding of the shearing head can be performed, if this reinforcer were extremely thin, as the shear plate is, it is not strong enough to stand up under the rounding operation” [R. 356].

These reinforcing elements which constitute rounded guards were in use long before any purported invention by Jones [R. 356-7].

Before replying to plaintiff's cross-appeal on the merits we shall contend that such cross-appeal should be dismissed in so far as it affects the second cause of action, because plaintiff, by accepting the benefits of the judgment given him by the trial court on the first cause of action, has effectually estopped himself from pursuing further his claim on the alleged exclusive license agreement.

II.

Summary of Argument.

Point 1. Plaintiff's cross-appeal, in so far as it affects the second cause of action, should be dismissed.

Point 2. The District Court's finding [Finding 23, R. 55, 56] that the oral agreement alleged in the complaint was entered into between plaintiff and defendant Schick, Inc., on January 29, 1941, that at the time of the making of said oral contract all of the terms thereof were agreed to unconditionally by both parties thereto, and that said oral contract was not conditioned upon the making of any subsequent agreement by the parties as to any further terms, and was not conditioned upon being subsequently reduced to writing, is erroneous and is not supported by the evidence.

Point 3. The District Court properly concluded in its Conclusions of Law that the alleged oral license agreement was barred by the Statute of Frauds.

(a) The trial court correctly concluded [Conclusion 6, R. 60] that the alleged oral contract was not fully or otherwise performed by plaintiff so as to take the same out of the operation of the Statute of Frauds of California.

(b) The findings of the trial court [Finding 24, R. ⁵⁷ 58] that in submitting copies of plaintiff's two patent applications to defendant Schick, Inc. plaintiff relied upon the alleged oral contract, that plaintiff would not have sent copies of said patent applications to said defendant had he not relied upon said oral contract, that by sending copies of such pending patent applications to said defendant plaintiff changed his position to his detriment and could not be put back into his original position after such dis-

closure, that from January 29, 1941, until at least March 14, 1941, relying upon the acts and statements of said defendant, plaintiff believed that he had a binding and enforceable agreement with said defendant, and in reliance thereon plaintiff throughout such period refrained from negotiating with any other person or company with respect to the patent in suit, and thereby suffered further detriment, are, and each of them is, erroneous and not supported by the evidence.

(c) The trial court properly found and concluded [Finding 24, R. 58, Conclusion 6, R. 60] that the submission by plaintiff of his two patent applications to defendant Schick, Inc. was not an act referable to the oral contract sued upon, and therefore did not estop defendant from asserting the Statute of Frauds.

Point 4. Defendant Schick, Inc having on March 13, 1941, renounced and abandoned the alleged exclusive license granted by the asserted oral agreement on the ground that plaintiff's patent was invalid, and said defendant having neither manufactured nor sold any dry shavers pursuant to said alleged oral agreement embodying the invention covered by said patent, said defendant urges, and is not estopped to urge, the invalidity of said patent as a complete defense to the second cause of action.

Point 5. The claim asserted in the second cause of action is barred by Section 339 (1) of the Code of Civil Procedure of the State of California.

Point 6. The District Court properly concluded [Conclusion 3, R. 59] that claims 1, 11, 26, 27, 28, 29 and 30 of Patent No. 2,228,768 were indefinite within the meaning of 35 U. S. C. A. §33 (R. S. §4888).

III.

THE ARGUMENT.

Point 1. Plaintiff's Cross-appeal, in so far as It Affects the Second Cause of Action, Should Be Dismissed.

Before answering the questions raised on plaintiff's cross-appeal relating to the second cause of action, we urge that plaintiff has effectually abandoned his claim on the alleged exclusive license agreement and estopped himself from pursuing it further.

The first and second causes of action are inconsistent. Admittedly, plaintiff could not have judgment for infringing his patent and at the same time recover royalties pursuant to a license under such patent. The District Court gave plaintiff judgment that four claims of the patent were valid and infringed. Judgment was rendered for defendant Schick, Inc., on the second cause of action.

It is conceded that under Rule 8(e) F. R. C. P. plaintiff was permitted to allege inconsistent causes of action. The question here involved is: At what point in the case is he required to elect, or be deemed to have elected, between them?

It is our position, in view of what transpired in the court below, that plaintiff must be deemed to have elected to pursue the first cause of action and to have renounced the second. Plaintiff sought and obtained an injunction restraining defendants from manufacturing the accused shavers [R. 63], of which he has taken full advantage. Plaintiff not only insisted upon retaining this injunction, he opposed defendants' application for a supersedeas [R. 72 *et seq.*], in order to obtain which defendants were

required to procure and file a \$90,000 surety bond [R. 75 *et seq.*]. Finally, plaintiff has appealed from the trial court's ruling in the first cause of action, holding invalid certain other claims of the patent.

We have no quarrel with the liberalization of pleading accomplished by Rule 8(e)(2); but this rule, like the remainder of the F. R. C. P., is purely procedural in its implications. It does not purport to alter the substantive law, and it is a familiar doctrine of substantive law that a plaintiff may not appeal from a portion of a judgment, where the effect of reversal would be in any manner to disturb that part of the judgment entered in plaintiff's favor. This is the rule in *Shaffer v. Great American Indemnity Co.*, 147 F. 2d 981, 983 (C. C. A. 5), where Judge Hutcheson, in his concurring opinion, said:

"It is quite clear to me therefore that the judgment should be affirmed unless appellee's motion to dismiss because plaintiff has accepted pay under the judgment and an appeal is inconsistent with that acceptance is well taken.

If the appeal would have had the effect, if successful, of in any manner disturbing or changing that part of the judgment which had been entered in plaintiff's favor, I think appellee would have been right in insisting that the appeal should have been dismissed. This is the rule not only generally but in the federal courts as well."

The same doctrine is stated somewhat differently in *Altman v. Shopping Center Bldg. Co.*, 82 F. 2d 521, 526, 527 (C. C. A. 8), as follows: A party who enforces or otherwise accepts the benefit of a judgment cannot maintain an appeal to review the same. In that case

the trial court adjusted the many conflicting claims of the parties according to a single plan worked out by the court and invited by the Altman heirs. The Altman heirs, taking advantage of provisions of the decree favorable to them, appealed from other provisions of the decree disadvantageous to them. In dismissing their appeal the court said:

“Although they did not bring the suit in the first place, they did affirmatively invoke the exercise of the equity powers which saved them their inheritance. By the acceptance of the benefits of the decree, they are precluded from attacking it on appeal. If they believed themselves entitled to have the Turemans make the payments called for by the Altman-Merchants indenture, they could have stood upon that claim. But they apprised the District Court, by their *Alternative pleading*, that if it should be adjudged that the Turemans were not so liable then they prayed that the extraordinary equitable remedies be granted, of which they have taken full advantage.” (Emphasis supplied.)

So, in the case at bar, plaintiff apprised the District Court by his alternative pleading that if it should be adjudged that defendant Schick, Inc., was not liable on the alleged license agreement then he prayed that the patent be held infringed and an injunction granted, of which he has taken full advantage.

A third case whose facts are strikingly similar to those in the case at bar is *United Engineering & Foundry Co. v. Cold Metal Process Co.*, 68 F. 2d 564. In that case, defendant, in a patent infringement suit, raised two defenses, first, that the patent was invalid; second, that if valid plaintiff had granted it a patent license. The trial

court held the patent valid, but that by reason of the license contract defendant had not infringed. Defendant appealed from the portion of the decree which held the patent valid. In dismissing the appeal the court (C. C. A. 3) said:

“In view of the fact that the decree dismisses the plaintiff’s bill and the further fact that such decree is in accord with the specific relief prayed for in the defendant’s answer, namely, ‘Defendant therefore prays that this bill of complaint be dismissed with costs to plaintiff,’ is the defendant, which has not surrendered or canceled the license, and is now enjoying the monopoly of the patent, warranted in asking this court in this appeal to convict the court below of error in its decree and here contest the validity of the patent? In that connection we note that, assuming for present purposes the defendant could plead whatever defenses it chose, the situation of standing on its unsurrendered license and insisting on a decree which does not invalidate, and therefore leaves it in possession of a licensee’s rights, it follows that, enjoying and possessing such license, the defendant is not in a position to contest the validity of its licensor’s patent, the monopoly and rights to which it retains.”

We know of no decision which has construed Rule 8(e)(2) to permit a plaintiff to delay his election beyond the entry of judgment in the trial court. On the other hand, there are several indications in recent decisions that this rule cannot be so construed. Thus, in *Venn-Severin Machine Co. v. Kiss Sons, etc., Inc.*, 2 F. R. D. 4, 5 (D. C. New Jersey), the court said:

“Plaintiff objects to the counterclaim of the defendant because it sets up equitable and legal fraud and alleged breach of an implied warranty and argues

that the defendant may seek either rescission by equitable action or damages in a legal action, but, he may not seek both remedies because the former is in derogation of and seeks to avoid the contract, while the latter remedy is available only on the premise that there exists a present and continuing contract which the defendant elects to recognize as such; therefore, the defendant should be required to make an election.

In answering this objection, the court holds, that the defendant will be required to make its election, *but it can do so during the trial.*" (Emphasis supplied.)

Also, in *Golden West Brewing Co. v. Milonas*, 104 F. 2d 880 (a trademark case), this court indicated that a plaintiff may not appeal from a decree where such appeal is inconsistent with plaintiff's acceptance of a portion of the decree appealed from.

The Restatement of the Law of Contracts, Volume II, §384, p. 719, makes the following statement:

"(b) It is not improper for a plaintiff to bring his action by a complaint containing alternative counts for restitution and for damages; but an election between them is necessary before submitting the case to the jury."

Plaintiff may nevertheless argue, although we know of no authority to sustain him, that, in the event this court should reverse the judgment in his favor in the first cause of action, he should not be deprived of his right to have this court review the trial court's ruling against him in the second cause of action. As we show later in our argument on the merits of the cross-appeal, plain-

tiff cannot recover in any event in the second cause of action if his patent is held invalid. It is sufficient for present purposes to point out that plaintiff by accepting benefits under the District Court's decree has forced defendants to change their position; they cannot be placed *in statu quo*. The cross-appeal, in so far as it affects the second cause of action, should be dismissed.

Point 2. The District Court's Finding [Finding 23, R. 55, 56] That the Oral Agreement Alleged in the Complaint Was Entered into Between Plaintiff and Defendant Schick, Inc. on January 29, 1941, That at the Time of the Making of Said Oral Contract All of the Terms Thereof Were Agreed to Unconditionally by Both Parties Thereto, and That Said Oral Contract Was Not Conditioned Upon the Making of Any Subsequent Agreement by the Parties as to Any Further Terms, and Was Not Conditioned Upon Being Subsequently Reduced to Writing, Is Erroneous and Is Not Supported by the Evidence.

The negotiations between plaintiff and defendant Schick, Inc., never reached the point where the minds of the parties met on an agreement. At most, the parties merely agreed to make an agreement in the future, and such an agreement is not actionable.

In urging this point we admittedly must establish that there is no evidence sufficient to justify the trial court's finding that the agreement was made. Before discussing this evidence, however, we shall first present the governing law. It is well settled in California that an agreement does not come into existence unless it extends to all the terms which the parties intended to introduce; nor is

there a binding contract, although the parties have agreed orally on its terms, if they have also agreed that it shall not be binding until evidenced by writing.

Pacific Rolling Mill Co. v. Railway Co., 90 Cal. 627, 632, *et seq.*, 27 Pac. 525;

Spinney v. Downing, 108 Cal. 666, 41 Pac. 797;

Mercantile Trust Co. v. Sunset etc. Co., 176 Cal. 461, 469, 168 Pac. 1037;

Connor v. Plank, 25 Cal. App. 516, 518, 519, 144 Pac. 295;

Aftergut v. Mulvihill, 25 Cal. App. 784, 786, 145 Pac. 728;

Fly v. Cline, 49 Cal. App. 414, 425, 426, 193 Pac. 615;

Dillingham v. Dahlgren, 52 Cal. App. 322, 329, 198 Pac. 832;

Levin v. Saroff, 54 Cal. App. 285, 201 Pac. 961;

Enlow v. Irwin, 80 Cal. App. 98, 101, 251 Pac. 658;

Linnard v. Sonnenschein, 94 Cal. App. 729, 733, 734, 272 Pac. 315;

Toms v. Hellman, 115 Cal. App. 74, 1 P. (2d) 31;

Zellerbach Paper Co. v. Virden Packing Co., 10 Cal. App. (2d) 635, 646, 53 P. (2d) 163;

American Bentonite Corp. v. Clark Equipment Co., 43 F. 2d 392 (D. C., W. D. Michigan), decree affirmed 43 F. 2d 1023 (C. C. A. 6).

Pacific Rolling Mill Co. v. Railway Co., *supra*, was an action on an alleged contract for the purchase and sale of a street railway. The only evidence of the agreement was correspondence between the parties. From this corre-

spondence it appeared that although most of the terms, including price, were agreed upon, the parties' minds had not met on the character of title that was to be conveyed. In holding that a contract did not come into existence, the Supreme Court said (at p. 634):

“From a careful reading of the whole correspondence, I conclude,—1. That plaintiffs proposed to sell only such title as they acquired through the sheriff's sale; 2. That it was not intended nor understood that the negotiations should be considered closed and the contract completed until, upon examination, the defendant should become satisfied with that title, nor until a formal written contract should be executed by both parties; and, 3. As it appears that defendant was not satisfied with the title, and that no formal or final written contract was executed by the parties, the fourth finding of the court, to the effect that the agreement had been concluded, considered as matter of fact, is not justified by the evidence, and as matter of law, it is a misconstruction of the written correspondence.”

In *Spinney v. Downing*, *supra*, defendant cross-complained, alleging breach by plaintiff of a contract by which plaintiff agreed to furnish defendant with brick. In holding that the contract set forth in the cross-complaint never became a completed contract, the court said (at p. 668):

“We think it clear that the alleged contract counted upon by defendant Downing in his cross-complaint never became a completed contract. It appears without conflict that it was the understanding and agreement between the plaintiff and Downing that the proposed contract should be reduced to writing, and signed by both parties. This fact is made very clear by the evidence. The paper as drawn up was signed

by Downing, but for some reason which does not appear never was signed by the plaintiff, Spinney. It therefore never became a binding or subsisting obligation upon either. It is a general rule to which this case presents no exception that, when it is a part of the understanding between the parties that the terms of their contract are to be reduced to writing and signed by the parties, the assent to its terms must be evidenced in the manner agreed upon or it does not become a binding or completed contract. This is essentially true when, as here, the proposed contract contains reciprocal stipulations and covenants upon the part of each as a consideration for the acts of the other."

We submit that the evidence shows without conflict that no contract ever came into existence. Admittedly, the agreement sued upon was made, if at all, on January 29, 1941. It is conceded that if there was no meeting of minds of the parties on that date, the agreement sued upon was never made. Plaintiff's sole contention in the court below that the parties' minds met was based upon Cordiner's shaking hands with plaintiff and saying "It's a deal," which contention the lower court sustained. Such contention and such ruling necessarily and, we submit, unrealistically and artificially, divided the conversation between the parties on that date into two separate and entirely unrelated compartments, so to speak. We respectfully assert that the only justifiable inference from this shaking of hands and this statement of Cordiner's was that the parties' minds had met on two terms, *and two terms only*, of the proposed agreement, namely, the nature of the license and the amount of the royalties. It is admitted that there was no hiatus in this conversation; the

negotiations were uninterrupted from start to finish. A split second after the tentative agreement on the two terms of the proposed agreement the parties discussed the preparation of the written contract to come and the other points to be contained therein, which points were mentioned but not agreed upon at this conversation. The only inference that can be drawn from the testimony of plaintiff and Merrick and the subsequent correspondence between the parties is that other important terms usually found in agreements of this character would have to be resolved before a license agreement could come into existence.

Plaintiff's letters to the Schick Company make it abundantly clear that he did not consider himself bound unless or until the written document embodying all terms under discussion was executed. Nowhere in this correspondence do we find plaintiff claiming that defendant Schick, Inc., was bound, and nowhere does he assert or admit that he was bound. We will not burden the argument at this point with repeating all the various statements in the correspondence evidencing plaintiff's intention. Suffice to say, in plaintiff's letter of February 10, 1941, to defendant Schick, Inc. [Pltf. Ex. 11, R. 444], he says that while he believes that "any sort of simple agreement would be complied with conscientiously" by Schick, "it seems to me a sensible and proper policy to try to make the contract an ironclad affair that will protect to the maximum degree the rights intended for me," and in his last letter (Def't. Ex. D, R. 450 *et seq.*) he says that he "will save for (defendant Schick, Inc.) the opportunity for exclusive licensing rights until April 4, * * *" and that he "cannot guarantee that the opportunity will remain open

past that date unless, in the meantime, events shall have made me confident that we are about to sign a contract.” Is not this tantamount to a statement by plaintiff that unless and until a written contract was executed he did not consider himself bound?

Finally, it must be borne in mind that it was not until December 10, 1945, almost five years later, that plaintiff through his attorney [R. 20 *et seq.*] made any claim that the contract sued upon existed. Such neglect by plaintiff of his supposed contractual rights is contrary to human experience. It is unbelievable that if he had believed the oral contract existed he would not have demanded from time to time from defendant Schick, Inc., a statement of royalties due him, or at the very least, the payment of the \$30,000.00 which he alleged was agreed upon as advance royalties. It is interesting to observe in this connection that the action herein as originally filed contained only a count for infringement; the contract count was clearly an afterthought.

In *Dillingham v. Dahlgren, supra*, the facts concerning the plaintiff's intention were similar to those in the case at bar. In that case, where a preliminary agreement had admittedly been arrived at but the parties looked to a more formal agreement in writing, the plaintiff testified that the preliminary agreement was “an agreement from which a contract was to be made,” that she proposed to sign “any reasonable form of contract” but that she did not propose to sign an agreement “with terms and provi-

sions in it that (she) didn't like." As in the case at bar the formal written agreement was never executed and there, as here, it appeared from the testimony of the plaintiff that it was not intended that the preliminary agreement (although the same was in writing), was to be binding upon the parties. In holding that no actionable contract came into existence the court, quoting from *Corpus Juris*, said:

"The preliminary negotiations leading up to the execution of a contract must be distinguished from the contract itself. There is no meeting of the minds of the parties while they are merely negotiating as to the terms of an agreement to be entered into. To be final, the agreement must extend to all terms which the parties intend to introduce, and material terms cannot be left for future settlement; nor is there a binding contract where, although its terms have been agreed on orally, the parties have also agreed that it shall not be binding until evidenced by writing."

The case of *American Bentonite Corp. v. Clark Equipment Co.*, *supra*, also deserves special comment because its factual situation is so similar to that in the case at bar. In that case plaintiff claimed that plaintiff and defendant had entered into an exclusive license agreement and there, as here, the parties failed to agree upon a formal agreement. In deciding for the defendant the court said:

"Failing to agree upon a formal license agreement by correspondence, the parties met in New York

City on May 18th and 19th, at which time futile efforts were made to arrive at an understanding. Both parties submitted formal proposed license agreements consisting of approximately fourteen pages each. Neither party at any time suggested or proposed the execution of a formal contract in substantial accordance with paragraph 6. These facts indicate the belief of both parties to the contract that it was of that class usually found in writing; that it was of a nature requiring a formal writing for its full expression; that it had many details; and that the term of the contract was sufficiently long; and the amount involved was sufficiently large to warrant a carefully prepared contract. It is apparent that the contract of April 3d is incomplete as to many of the important elements commonly a part of license agreements. There is no provision determining territorial limitations, upon whom the burden of sustaining the patent rests, the effect of total or partial invalidity upon royalties already paid, the time for payment of royalties, the effect of nonpayment, and the right of licensees to grant sublicenses. The fact that the execution of a formal license agreement was rendered impossible by the later insistence of both parties upon the insertion of conditions and provisions not contemplated in the contract of April 3d suggests strongly that terms deemed material by both parties were not then agreed upon and that both parties so understood. The inference to be drawn therefrom is that the minds of the parties had met on some but not all matters deemed material."

Point 3. The District Court Properly Concluded in Its Conclusions of Law That the Alleged Oral License Agreement Was Barred by the Statute of Frauds.

- (a) The Trial Court Correctly Concluded [Conclusion 6, R. 60] That the Alleged Oral Contract Was Not Fully or Otherwise Performed by Plaintiff so as to Take the Same Out of the Operation of the Statute of Frauds of California.

A certain amount of confusion arises out of indiscriminate statements found in the books that "performance," "part performance," or "full performance" by a plaintiff takes an oral contract otherwise covered by the Statute of Frauds outside of the operation of the statute. We assert with confidence that the true rule in California is that performance, whether "full" or partial, is never alone sufficient to take a contract out of the Statute of Frauds. It is only when such performance has given the other party a benefit, the retention of which amounts to a representation that such party will not resort to a plea of the statute, that an estoppel is created. This is made clear by the leading case of *Seymour v. Oelrichs*, 156 Cal. 782, 793, 795, 106 Pac. 88. In that case plaintiff entered into an oral agreement with defendants to enter their employ for a period of ten years. Relying upon this agreement, he resigned a life position with the Police Department and entered defendants' employ. After about two years he was discharged. Plaintiff sought to recover damages for his wrongful discharge, and defendants pleaded the Statute of Frauds. The court held that, although the con-

tract being oral was one which could not be performed within one year and therefore within the Statute of Frauds, the defendants were estopped to plead the statute by reason of plaintiff having changed his position. In pointing out that part performance by the plaintiff was of no significance, the court says (at page 793):

“The claim of plaintiff is not that mere part performance of a contract for personal services which by its terms is not to be performed within a year, ‘invalid’ under our statute because not evidenced by writing, renders the same valid and enforceable. Such a claim would, of course, find no support in the authorities. (5 Browne on Statute of Frauds, sec. 448.) He necessarily is compelled to rely solely on the claim that the defendants by their conduct and promises, on which he was entitled to and did rely, having induced him to give up his life position in the police department in order to enter their employ for a term of years at three hundred dollars a month, on the assurance from them that they would give him a written contract for such time and amount, and it being impossible for him to be placed in *statu quo*, are estopped from now setting up the statute of frauds as a defense to his action on the contract. Under this claim, the fact of part performance by plaintiff plays no part whatever. It was the change of position caused by his resignation from the police department upon which his claim wholly rests, and this resignation was, of course, no part of the performance of the contract of service, but was something that must be done by plaintiff before he could begin to perform, as was known to the defendants. Plaintiff’s case, in this regard, would be just as strong if after his resignation he had been prevented by defendants from beginning to perform.”

Later in the opinion (at page 795), the court makes the following statement, quoting from Browne on Statute of Frauds:

“‘A plaintiff . . . must be able to show clearly . . . not only the terms of the contract, but also such acts and conduct of the defendant as the court would hold to amount to a representation that he proposed to stand by his agreement and not avail himself of the statute to escape its performance; and also that the plaintiff, in reliance on this representation, has proceeded, either in performance or pursuance of his contract, to so far alter his position as to incur an unjust and unconscientious injury and loss, in case the defendant is permitted after all to rely upon the statutory defense. After proof of this, the court may well be justified in using its undoubted power, in cases of equitable estoppel, to refuse to listen to a defendant seeking to deny the truth of his own representations previously made.’”

When the so-called “full performance” by plaintiff is viewed in the light of the rule stated in *Seymour v. Oelrichs*, it is apparent that none of the authorities cited by plaintiff is in point. Thus, in *Emerson v. Universal Products Company, Inc.*, 162 Atl. 779 (Cross-Appellant’s Opening Brief p. 13), which holds that the Statute of Frauds only applies to executory contracts and that the exclusive license there involved was fully performed by plaintiff, thereby relieving such contract from the Statute of Frauds, it appears that the party estopped had received a real benefit under the oral license agreement which it would be inequitable to allow him to retain and at the same time assert the Statute of Frauds. In the *Emerson* case the defendant admittedly had manufactured and sold devices pursuant to the oral license agreement and under

the immunity granted thereby, and it would have been manifestly inequitable to allow him to escape paying royalties on these devices. In a sense, therefore, the license agreement there involved was executed and not executory in character. In the case at bar, the agreement sued upon was admittedly executory; defendant Schick, Inc., promptly repudiated the claimed license agreement [Pltf. Ex. No. 14, R. 447], asserted the invalidity of the patent [Deft. Ex. C, R. 449], and never at any time manufactured any dry shavers pursuant to the alleged agreement [R. 56, 57], thereby placing itself in the position of an infringer of plaintiff's patent, if such patent were held to be valid, and its shavers an infringement thereof.

There is a further circumstance which effectually distinguishes the *Emerson* case and other cases cited by plaintiff from the case at bar, namely, that in such cases, without exception, the oral agreement in respect of which an estoppel was held to prevent the assertion of the Statute of Frauds, *was admitted to have been made by the party estopped*. In the case at bar, as has been seen, defendant Schick, Inc., has at all times vigorously disputed making the oral license agreement sued upon. If, as plaintiff argues, the mere granting of this disputed license constitutes its full performance, admittedly such performance had only an oral manifestation. We urge that, bearing in mind the policy behind the Statute of Frauds of preventing important transactions being established through perjured testimony, the doctrine contended for by plaintiff is a dangerous one and should not be sanctioned.

Even though the *Emerson* case can, as we have shown, be validly distinguished from the case at bar, there is a conflicting line of cases which hold in effect that the mere

granting of an oral license by the patentee does not relieve such license from the operation of the Statute of Frauds. Thus, in *Buhl v. Stephens*, 84 F. 922, 925 (Circuit Court, D. Ind.), plaintiff licensee sued defendant licensor on an oral exclusive license agreement for the life of the defendant's patent. In deciding that the agreement could not be performed within one year and hence was within the Statute of Frauds, the court, after referring to a United States Supreme Court decision, said (p. 925):

"It is there held that this clause of the statute only applies to agreements which, according to the true intention of the parties as shown by the terms of their contract, cannot be fully performed within a year, and not to an agreement which may be fully performed within the year, although the time of performance is uncertain, and may probably extend, and may have been expected by the parties to extend, and does in fact extend, beyond the year. Tested by this rule, it is plain that the present agreement falls within the condemnation of the statute. The agreement by its terms, as found by the master,—and, in my opinion, correctly,—cannot be fully performed until the expiration of the period of 17 years. It is incapable of full performance, according to the true intent of the parties as disclosed by the agreement, within one year from the making thereof."

To the same effect is *Kurts v. Ford Motor Co.*, 62 F. Supp. 255 (D. C., E. D. Mich. S. D., 1945). In this case plaintiff was the licensor and the oral agreement involved was for perpetual nonexclusive licenses under present patents and possible future patents. The court held that such agreement was executory and involved a promise

which could not be performed within one year from the making thereof. In so holding, the court said (pp. 257, 258):

“An executory agreement, promising, among other things, to grant perpetual licenses under present patents and possible future patents, compensable in part by royalty payments computed upon the extent of use of inventions covered thereby, is a promise which cannot be performed within one year from the making thereof. *Hand v. Osgood*, 1895, 107 Mich. 55, 64 N. W. 867, 30 L. R. A. 379, 61 Am. St. Rep. 312; *Radio Corporation of America v. Cable Radio Tube Corporation*, 2 Cir., 1933, 66 F. F. 2d. 778, certiorari denied 290 U. S. 703, 54 S. Ct. 373, 78 L. Ed. 604; Sec. 380, *Walker on Patents* (Deller’s Ed.)”

Finally, there is authority in California contrary to the *Emerson* case, namely, *Patten v. Hicks*, 43 Cal. 509, which in so far as we can discover has never been criticized by later California decisions. In that case, the contract sued on was one which obligated the plaintiff to cut saw-logs for defendants sufficient to keep their sawmill running for a period of two years from the date of the contract. The plaintiff performed this contract and cut and delivered saw-logs as required by the oral contract. The court held that the contract was barred by the Statute of Frauds inasmuch as it could not be performed within one year, but pointed out that for the labor and services performed under this void contract the plaintiff could recover on *quantum meruit*.

The other cases cited by plaintiff require little comment; they furnish little, if any, support for his argument. The quotation from *Hellings v. Wright*, 29 Cal. App. 649, 156 Pac. 365 (Cross-Appellant's Opening Brief, pp. 12-13), is, in view of the facts of that case, of no weight. It is clearly *obiter*, because the contract involved was one between real estate brokers to share a commission, which contract the court held was not covered by the Statute of Frauds. Furthermore, the court held that the contract could have been performed within one year and hence the statute was not applicable. Finally, it appeared that appellant had written a letter promising to pay respondent's commissions which took the case without the operation of the Statute of Frauds. *Dutton v. Interstate Investment Corp.*, 19 Cal. (2d) 65, 119 P. (2d) 138 (Cross-Appellant's Opening Brief, p. 13) likewise is not in point because the full performance creating an estoppel in that case consisted of *acts* of respondent and not merely a verbal manifestation as in the case at bar. *Wehner v. Bauer*, 160 F. 240 (Cross-Appellant's Opening Brief, p. 13) throws little light on the situation. There, as in the *Dutton case*, the "full performance" of the plaintiff consisted of acts not words. Furthermore, after expressing some doubt on "one or two questions" the court said (p. 245) that all of defendant's objections (raised on motion to dismiss) would remain to the defendant at the final hearing, and could be renewed in the light of all the evidence in the case. *Price*

v. Smith Manufacturing Company, 53 Cal. App. 303, 200 Pac. 53 (Cross-Appellant's Opening Brief, p. 13) is clearly distinguishable. In that case, which was an action on a patent license agreement, the agreement was subject to revocation at any time, hence performable within a year. Also, the defendants in that case, unlike defendant Schick, Inc., admittedly manufactured machines under the patent license and the immunity granted thereby.

To sum up: The best case plaintiff has been able to muster in support of his position is the *Emerson* case, and in the *Emerson* case there are present two crucial elements not present in the case at bar (1) the defendant admittedly manufactured and sold the devices for which a royalty was claimed pursuant to the immunity granted by the license agreement, and (2) the existence of the oral license agreement was not disputed. No cases have come to our attention in California or elsewhere where oral agreements not to be performed within one year have been upheld except upon equitable principles of estoppel, *i. e.*, that the plaintiff's performance of the oral contract was such that it would render it inequitable to permit the defendant to retain the benefits of the oral agreement. Certainly, as has been stated, the very purpose of the Statute of Frauds would be circumvented if the mere oral statement of the plaintiff of an agreement is sufficient not only to establish the existence of a disputed contract but to constitute its performance as well.

(b) The Findings of the Trial Court [Finding 24, R. ⁵⁷58] That in Submitting Copies of Plaintiff's Two Patent Applications to Defendant Schick, Inc., Plaintiff Relied Upon the Alleged Oral Contract, That Plaintiff Would Not Have Sent Copies of Said Patent Applications to Said Defendant Had He Not Relied Upon Said Oral Contract, That by Sending Copies of Such Pending Patent Applications to Said Defendant Plaintiff Changed His Position to His Detriment and Could Not Be Put Back Into His Original Position After Such Disclosure, That From January 29, 1941, Until at Least March 14, 1941, Relying Upon the Acts and Statements of Said Defendant, Plaintiff Believed That He Had a Binding and Enforcible Agreement With Said Defendant, and in Reliance Thereon Plaintiff Throughout Such Period Refrained From Negotiating With Any Other Person or Company With Respect to the Patent in Suit, and Thereby Suffered Further Detriment, Are, and Each of Them Is, Erroneous and Not Supported by the Evidence.

The lower court's finding [R. 57, 58] that plaintiff in submitting and disclosing copies of his patent applications to defendant Schick, Inc., changed his position to his detriment and could not be put back into his original position after such disclosure is not, we submit, sustained by the evidence. Plaintiff testified [R. ~~240~~, 243, *et seq.*] that he did not furnish defendants with any power of attorney, which it would be necessary for them to file in the Patent Office before they could take any action in connection with the two patent applications; that defendants actually took no such action; that they returned the patent applications to plaintiff; that through his attorney plaintiff prosecuted the patent applications in the Patent Office; that such prosecution was not affected by sending copies of the applications to defendants and *that the Pat-*

ent Office eventually issued patents to plaintiff on the applications. There is no evidence that defendants used the applications in any way whatsoever.

The law is clear that the "detriment" suffered in order to create an estoppel must be a substantial one. There are a number of California decisions upholding this proposition. Thus, in *Stowe v. Fay Fruit Co.*, 90 Cal. App. 421, 426, 265 Pac. 1042, the court says that in order to create an estoppel the person urging it must have suffered a "material loss." *Davis v. Cline*, 184 Cal. 548, 552, 195 Pac. 42, states the rule as follows:

"Where no available right is parted with and no injury suffered, there can be no estoppel *in pais*."

In *Carpy v. Dowdell*, 115 Cal. 677, 686, 47 Pac. 695, the nature of the detriment necessary to create an estoppel is stated as follows:

"Where a person tacitly encourages an act to be done he cannot afterward exercise his legal right in opposition to such consent, if his conduct or acts of encouragement induced the party to change his position, so that he will be pecuniarily prejudiced by the assertion of such adversary claim . . ."

How then did plaintiff suffer any substantial injury in submitting copies of his patent applications to defendant Schick? Certainly an injury may not be presumed, and the burden of establishing an estoppel rests upon him who asserts it. Far from suffering any substantial pecuniary injury, the record affirmatively shows that plaintiff suffered no injury whatsoever, because patents actually issued on the two applications submitted to defendant Schick, Inc.! Plaintiff was unable in the court below to point out even a scintilla of evidence tending to show that the disclosure

of the patent applications to defendants caused him any injury, substantial or otherwise. We challenge him to do so here.

What has just been said applies with equal force to plaintiff's contention and the trial court's finding that plaintiff suffered a detriment because, relying upon the existence of an oral contract, he refrained from negotiating with others with respect to his patent. This contention probably can be disposed of summarily as being trivial because the period of his supposed reliance upon the alleged oral contract extended only from January 29, 1941 until March 14, 1941, *i. e.* about six weeks. The point has no merit, in any event, because under California decisions the mere reliance upon an unfulfilled promise to put an oral agreement in writing is not sufficient to protect the party insisting upon the fulfillment of the alleged contractual obligation. The leading case is again *Seymour v. Oelrichs*, *supra* (at p. 797). It will serve no purpose to cite the multitude of cases bearing on this point; a reference to *Standing v. Morosco*, 43 Cal. App. 244, 247, 248, 184 Pac. 954, will suffice. That case involved an oral employment contract whereby defendant employed plaintiff for a period extending beyond a year from the date of such oral contract. Plaintiff moved his residence from New York to Los Angeles and entered the employ of defendant. This was nevertheless held by the court not to constitute an act which would estop defendant from interposing the defense of the Statute of Frauds in an action for wrongful discharge. The court stated the law as follows (pp. 245, 246):

“Every person is advised of the plain requirement of the statute, and the mere omission to insist that a writing be made, or reliance only upon the unfulfilled

promise of the other to put the agreement in writing, is not sufficient to protect the party insisting upon the fulfillment of the alleged contractual obligation. He must be misled by the other to his prejudice; not only must sufficient facts appear to show a representation (by words or conduct) on the part of the defendant that he did not intend to resort to a plea of the statute, but the other party must have so altered his position as that he would be made to suffer loss or unconscionable injury."

- (c) **The Trial Court Properly Found and Concluded [Finding 24, R. 58, Conclusion 6, R. 60] That the Submission by Plaintiff of His Two Patent Applications to Defendant Schick, Inc., Was Not an Act Referable to the Oral Contract Sued Upon, and Therefore Did Not Estop Defendant From Asserting the Statute of Frauds.**

This is the ground upon which the District Court gave judgment for defendant Schick, Inc. in the second cause of action. While, as we have pointed out, there is no evidence tending to show that plaintiff suffered any detriment or change of position whatsoever and, therefore, no estoppel was created, the District Court correctly applied the law of California that, even if plaintiff has suffered a legal detriment by reason of an act performed by him, such act must in any event be referable to the contract, otherwise it does not create an estoppel. The contract declared upon makes no mention of plaintiff's two patent applications and, therefore, under the cases about to be cited the act of submitting the patent applications to Schick even though requested by Schick to do so, does not operate to create an estoppel against Schick from asserting the Statute of Frauds. The case of *Baker v. Bouchard*,

122 Cal. App. 708, 10 P. (2d) 468, states the rule as follows (page 711):

“Furthermore, it is clear that in order to take a contract out of the operation of the statute of frauds, the acts relied upon as establishing part performance must be unequivocally referable to the contract.”

To the same effect see *Trout v. Ogilvie*, 41 Cal. App. 167, 172, 182 Pac. 333; *Stevenson v. Pantaleone*, 131 Cal. App. 401, 406, 21 P. (2d) 703; *Forbes v. City of Los Angeles*, 101 Cal. App. 781, 789, 282 Pac. 528; *Foster v. Maginnes*, 89 Cal. 264, 267, 26 Pac. 828, and *Levi v. Murrell*, 63 F. 2d 670, 671, in which this court recognized the rule for which we contend.

Point 4. Defendant Schick, Inc. Having on March 13, 1941, Renounced and Abandoned the Alleged Exclusive License Granted by the Asserted Oral Agreement on the Ground That Plaintiff's Patent Was Invalid, and Said Defendant Having Never Manufactured Nor Sold Any Dry Shavers Pursuant to Said Alleged Oral Agreement Embodying the Invention Covered by Said Patent, Said Defendant Urges, and Is Not Estopped to Urge, the Invalidity of Said Patent as a Complete Defense to the Second Cause of Action.

Ordinarily a licensee under a patent is estopped to question the patent's validity. This is not true, however, where the licensee renounces the license, and the immunity from infringement provided thereby, on the ground of the invalidity of the patent, and clearly places himself in the position of an infringer. In such case he is per-

mitted to assert the invalidity of the patent, and if he is sustained he will not be held liable for royalties under the license agreement for any devices manufactured after the renunciation of the license. The following cases support the rule of law just stated:

The Armstrong Co. v. Shell Company of Calif.,
98 Cal. App. 769, 778 *et seq.*, 277 Pac. 887;

Frost Railway Supply Co. v. Symington & Son,
24 F. Supp. 20;

Martin v. New Trinidad etc. Co., 255 F. 93;

Universal Rim Co. v. Scott, 21 F. 2d 346.

As said in *Martin v. New Trinidad etc. Co.*, *supra*:

“So far as the eighth defense is concerned, the rule pertinent to the question thus presented, which may be deduced from the reported decisions and which is supported by reason, is this: A licensee under a license agreement, such as that upon which this suit is based, when sued for royalties payable under the agreement, where the patent which is the subject-matter of the license, is apparently valid and in force (where it has not been declared invalid by a court of competent jurisdiction or revoked by the Patent Office before the royalties have accrued), may not set up the supposed invalidity of the patent and the consequent failure of consideration of the agreement, unless, prior to the period for which the royalties are sought to be recovered, he has given to the licensor a distinct, definite, and unequivocal notice to the effect that he no longer recognizes the binding force

of the agreement, and that he will thereafter manufacture or use the article covered by the patent under a claim of right, founded upon the alleged invalidity of the patent, and in hostility to and defiance of the authority of the patent and the license, so that the licensor can thereafter proceed against him for an infringement of the patent, if he choose so to do.”

Such was the case here. By sending plaintiff the two letters of March 13, 1941 [Pltf. Ex. 14 and Deft. Ex. C, R. 447, 449] defendants took such a step and did not thereafter manufacture or sell any dry shavers pursuant to the alleged oral contract, embodying the invention covered by the patent; and the lower court so found [R. 56, 57].

Defendant Schick, Inc., therefore, urges the invalidity of plaintiff's patent as a defense to the second cause of action. The argument for the invalidity of all but four of the claims appears later herein. The argument for the invalidity of the remaining four claims appears in our briefs on defendants' appeal.

If it is eventually determined in this litigation that all claims of the patent in suit are invalid, such determination will obviously preclude recovery by plaintiff on the second cause of action. We shall not prolong this brief by exploring what result would ensue if some of the claims of the patent are eventually upheld and others determined to be invalid. The possibility of such a holding being determinative of the second cause of action is too remote.

Point 5. The Claim Asserted in the Second Cause of Action Is Barred by Section 339 (1) of the Code of Civil Procedure of the State of California.

The second cause of action was not filed until February 28, 1946 [R. 22]. Defendants, in their answer [par. IX, R. 18], pleaded Section 339 of the Code of Civil Procedure of the State of California, *i. e.*, the statute of limitations applicable. Although this defense was not determined by the court below, it is not to be considered as waived. That the statute bars any recovery as to royalties alleged to have accrued prior to February 28, 1944 (including, of course, the advance royalty payment of \$30,000) cannot be controverted. It is our contention that the statute also is a bar to any action upon the alleged oral contract not filed within the two-year period fixed by the statute, *i. e.*, plaintiff's second cause of action *in toto*.

Under date of March 13, 1941, plaintiff was advised by letter [Pltf. Ex. 14, R. 447], from defendant Schick, Inc., that its Board of Directors had decided not to accept the proposed license agreement. This letter constitutes a clear repudiation and renunciation of any agreement between defendant Schick, Inc., and plaintiff [Finding 23, R. 56-57]. This letter was written more than two years before the filing of the first cause of action in this case on July 6, 1945 [R. 4] and the second cause of action on February 28, 1946 [R. 22]. There was no response by plaintiff to this letter and plaintiff thereafter in no manner whatsoever made any assertion that he considered Schick, Inc., bound by any license agreement with plaintiff or demanded performance of any such license agreement until the letter [Ex. A to the Answer, R. 20] was written by plaintiff's attorneys to Schick, Inc., on December 10, 1945. In his letter of March 14, 1941 [Def't.

Ex. D, R. 450], which cross defendant's letter to him of March 13, 1941 [Pltf. Ex. 14, R. 447], plaintiff advised defendant Schick, Inc., that the opportunity to enter into the license agreement would remain open only until April 4, 1941.

Defendant Schick, Inc., having repudiated and renounced the license agreement, and plaintiff by his letter of March 14, 1941, and subsequent inaction in effect having also repudiated and abandoned any existing binding license agreement, it was incumbent upon plaintiff under the pertinent statute of limitations limiting action on an oral contract in the State of California, to have filed any action to enforce the contract within the statutory two-year period. Clearly plaintiff must be deemed to have consented to the repudiation and renunciation of the contract by defendant Schick, Inc. It is well settled that where an executory contract is renounced by one party before full performance by the other, the statute of limitations begins to run from the time of the renunciation where there has been a manifestation of assent to treat the repudiation or breach as a final abandonment of performance, and the statute under such circumstances is a bar to any action on the contract (Williston on Contracts, Rev. Ed., Vol. 6, Sec. 2027, p. 5688; 54 C. J. S., Sec. 127, p. 44). In view of plaintiff's letter of March 14, 1941 [Deft. Ex. D] and plaintiff's neglect to assert any right under the alleged oral agreement for more than the statutory period, the court should not hesitate to enforce the statute of limitations.

Point 6. The District Court Properly Concluded [Conclusion 3, R. 59] That Claims 1, 11, 26, 27, 28, 29 and 30 of Patent No. 2,228,768 Were Indefinite Within the Meaning of 35 U. S. C. A., Section 33 (R. S., Sec. 4888).

The District Court found as a fact that claims 1, 11, 26, 27, 28, 29 and 30, along with claims 17, 18, 19, 20, 24 and 25, were invalid because of indefiniteness [Finding 20, R. 55]. The plaintiff in his brief does not specify as error this finding. However, he states at page 9 of the "Opening Brief of Cross-Appellant" that "The defendants offered no evidence whatever even tending to support the finding of 'indefiniteness' as to either the disclosure or claims of patent No. 2,228,768 in suit." Unless this statement is limited to "defendants offered no evidence," it is absolutely contrary to the record. It was not necessary for defendants to have witnesses on this subject as it was amply proved by the testimony of the plaintiff. The indefiniteness of these claims in describing the alleged invention by Jones comprises the fact that all of the claims call for the edges of the head to be round or to merge into the surfaces of the head. The District Court found as a finding of fact that the term "merging" meant that the curved surface or surfaces of the guard elements join the flat surface or surfaces "for the practical purpose of providing shaving comfort to the user" [R. 49]. This finding has not been assigned as error by either party. Therefore, the words "round" or "merging" in the Jones patent merely mean that the corners and edges are round enough to give shaving comfort.

Plaintiff stated that his patent does not tell how much to round the surfaces of the prior Schick devices except by a functional statement; that is, "to accomplish the com-

fort" [R. 195-6]. The description of the patent does not give any definition, and yet the plaintiff admits that the prior Schick razors [Exhibit B] "are somewhat beveled and somewhat rounded" [R. 193]. There is ample proof that Exhibit B was manufactured and sold prior to any conception of the alleged invention of Jones and this is admitted by the plaintiff [R. 192]. In fact, the plaintiff admitted that all prior Schick shavers had the critical surfaces rounded:

"Q. Now, so far as the construction of the shaving head itself is concerned you do not claim that you have added anything to the Schick prior design, except that you have rounded off to a greater extent, these beads in the patent in suit, is that correct? A. So far as that particular phase of improvement is concerned, my only accomplishment was to make those beads larger, with a greater radius, and round them in a better way so as we would have comfort there, instead of the discomfort that was marked and existed in all models that I have ever seen of the earlier shavers.

Q. Now, in those earlier shavers prior to your invention were those surfaces rounded at all? A. Oh, yes, sir. If you look at them with a magnifying glass, you can see that the sharp edges are rounded to some extent.

Q. Does your patent tell you to state how much more to round those surfaces than they had been rounded in the prior Schick devices? A. In no specific manner, I believe. It just teaches the advantage of having a sufficient—in this effect of having a sufficient radius and rounding to accomplish the comfort.

Q. Do you know why those surfaces were rounded at all in the prior Schick razors? A. Well, of course, if they were sharp you would cut your finger on them and cut your face with them.

Q. Weren't they rounded to add comfort to the razor? A. Certainly, to a certain extent, of course, because otherwise you would really cut your face.

Q. All you proposed in so far as this point was concerned, was to round them some more; is that correct? A. Enlarge them and round them some more so far as comfort of these long lateral edges are concerned; that is correct, sir.

Q. Does your patent state how much larger to make them? A. No, sir; not specifically in the specification." [R. 195-6.]

The amount of roundness has not been defined in the specification or description. The only teaching of the patent of how to manufacture a shaving implement in accordance with the alleged invention is that the edges and corners must be round. Plaintiff admitted that prior devices were round in the same places [R. 195-6].

The Jones patent violates R. S. U. S. §4888, 35 U. S. C. A. §33, in that it doesn't "particularly point out and distinctly claim" the invention. This case is exactly the same as to facts as the prior case before this court of *Farmers Cooperative Exchange v. Turnbow*, 111 F. 2d 728. In that case the invention, if any, was held by the court to be "the quantity of colloidal substance used." To use colloidal substances in a similar product was old. In this case the invention, if any, lies in the amount of rounding of the edges of the shaver. Admittedly, rounding of these edges is old. In the *Farmers Cooperative*

case the court held that the description "the quantity of colloidal substance is * * * sufficient to colloidally hold" did not comply with 35 U. S. C. A. §33. The patentee in this case has made the same type of description in his claims. He merely uses the words "rounding into." He does not set forth how round or the critical limits even though he admits that rounding was not new.

Even had he defined the amount of roundness or the curvature in the specification as required by statute, he does not define that roundness or curvature in any of the claims 1, 11, 26, 27, 28, 29 or 30, and this is a requirement placed upon all inventors by Congress which the courts do not have the right to overlook in sustaining a patent.

"* * * Patents, whether basic or for improvements, must comply accurately and precisely with the statutory requirement as to claims of invention or discovery. * * *'" (*Farmers Cooperative Exchange v. Turnbow*, 111 F.2d 728, 732, as quoted from *General Electric Co. v. Wabash Appliance Corp.*, 304 U. S. 364, 368, 58 S. Ct. 899, 901, 82 L. Ed. 1402.)

The claims held indefinite by the District Court clearly violate this principle of law as they attempt to secure a monopoly on all shavers that are round enough to give shaving comfort without describing *in the claims* the amount or degree of roundness necessary.

In *Otis Elevator Co. v. Pacific Finance Corp.*, 71 F. 2d 641, 642 (C. C. A. 9), the court said:

"The complete functional description of the invention contained in Claim 37, which we have elaborated above, was noted by the master in his discussion of the claim; this description, he correctly said, was not

in itself objectionable. But the insufficiency of description, the master explicitly said, lay in the omission of the circuits and circuit closing means, the arrangement and inter-relation of which he had found, in discussing Claim 3, constituted the novelty of the Parker disclosure. Thus the master found, in effect, that Claim 37 was invalid because it attempted to secure a monopoly of the results to be attained through the patentee's invention without limiting the monopoly to the particular means invented for the accomplishment of those results. Cf. *Davis Sewing Mach. Co. v. New Departure Mfg. Co.*, 217 F. 775, 782 (C. C. A. 6, 1914)."

In *Callison v. Pickens, et al.*, 77 F. 2d 62 (C. C. A. 10), the court said (p. 64):

"If the words are construed to include every method of accomplishing the result, the claim is invalid for indefiniteness and uncertainty. A claim, alone or in light of the specifications, must describe a concrete apparatus, not an abstract function. *Jensen-Salsbery Lab. v. O. M. Franklin Blackleg Serum Co.* (C. C. A.), 74 F. (2d) 501; *Elevator Supplies Co. v. Graham & Norton Co.* (C. C. A.), 44 F. (2d) 354."

The lower court found in Finding of Fact 20 [R. 55] that claims 1, 11, 26, 27, 28, 29 and 30 were indefinite. This finding of fact is fully supported by the above set forth testimony. This testimony summarized is that the prior art shavers had round edges and corners for the purpose of giving shaving comfort [R. 195-6] and these claims only define round or merging edges. If there is anything new in making them *round enough to give shaving comfort*, the claims do not define this amount of roundness or merging and are indefinite.

The court, by its Finding of Fact 20, determined that claims 1, 11, 26, 27, 28, 29 and 30 were indefinite. This is a question of fact. The finding is fully supported by substantial evidence and is not *clearly erroneous* and should not be disturbed. (Rule 52(a) of the Federal Rules of Civil Procedure, 28 U. S. C. A. following 723c; *Ralph N. Brodie Co. v. Hydraulic Press Mfg. Co.*, 151 F. 2d 91 (C. C. A. 9); *Maulsby v. Conzeboy*, 161 F. 2d 165 (C. C. A. 9); *Refrigeration Engineering, Inc. v. York Corp.*, decided by this court on June 29, 1948.)

Conclusion.

It is accordingly respectfully submitted that on plaintiff's cross-appeal the decision of this Court should be as follows:

- (a) Plaintiff's cross-appeal on his second cause of action should be dismissed; but failing such dismissal,
- (b) The judgment of the District Court dismissing plaintiff's second cause of action should be affirmed; and
- (c) The judgment of the District Court holding claims 1, 11, 26, 27, 28, 29 and 30 of the patent in suit invalid should be affirmed.

Respectfully submitted,

LEONARD S. LYON,

FREDERICK W. LYON,

ALEXANDER MACDONALD,

Attorneys for Cross-Appellees.

APPENDIX.

DEPARTMENT OF COMMERCE

United States Patent Office

To all persons to whom these presents shall come, Greeting:

This Is to Certify that the annexed is a true copy from the records of this office of the Disclaimer, filed February 21, 1948, being Paper 37, in the matter of the Letters Patent of Ralph E. Jones, Number 2,228,768, granted January 14, 1941, for Improvement in Hair Clipping and Shaving Devices.

In Testimony Whereof I have hereunto set my hand and caused the seal of the Patent Office to be affixed at the City of Washington, this sixth day of July, in the year of our Lord one thousand nine hundred and forty-eight and of the Independence of the United States of America the one hundred and seventy-third.

LAWRENCE C. KINGSLAND,
Commissioner of Patents.

(Seal)

Attest:

D. E. WILSON,
Chief of Division.

Hair Clipping and Shaving Device

Ralph E. Jones

No. 2,228,768

Issued January 14, 1941.

Hon. Commissioner of Patents

Washington 25, D. C.

DISCLAIMER

Sir:

Your petitioner, Ralph E. Jones, a citizen of the United States, residing at 4150 Bedford Drive, San Diego 4, in the County of San Diego and State of California, represents that in the matter of a certain improvement in HAIR CLIPPING AND SHAVING DEVICE, for which Letters Patent of the United States No. 2,228,768 were granted to Ralph E. Jones, on the 14th day of January, 1941, he is the owner of the entire right, title and interest in and to said Letters Patent and that he has reason to believe that through inadvertence, accident and mistake and without any fraudulent or deceptive intention by claims 17, 18, 19, 20, 24 and 25 thereof he has claimed more than that of which he was the original or first inventor or discoverer, and he hereby makes disclaimer of said claims 17, 18, 19, 20, 24 and 25 thereof.

Signed at San Diego, in the County of San Diego, and State of California, this 5th day of February, 1948.

RALPH E. JONES,

Ralph E. Jones.

Witnesses:

G. A. DEVLIEG,

ETHEL DEVLIEG.

Mail Division U. S. Patent Office, Feb. 6, 1948.

Recorded U. S. Patent Office Issue Division Feb. 21, 1948 Liber 6 Page 895.